

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA

MANAGEMENT REPORT #10-008

YEAR ENDED DECEMBER 31, 2009

10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2009

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#10-008

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Jalene Forbis, President
Board of Directors
10th DAA, Siskiyou Golden Fair
1712 Fairlane Rd.
Yreka, California 96097

In planning and performing our audit of the financial statements of the 10th District Agricultural Association (DAA), Siskiyou Golden Fair, Yreka, California, for the year ended December 31, 2009, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, requires the auditor to communicate significant deficiencies and material weaknesses in internal control to management and those charged with governance. Control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely manner. The communication of control deficiencies that are not considered significant deficiencies can be either written or oral. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than consequential will not be prevented or detected. A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

In addition, this Management Report has been expanded to include: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and



(2) areas of non-compliance by the Siskiyou Golden Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 10th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 10th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 10th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 10th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 10th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 10th DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets and tickets provided by agency report. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 10th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An audit of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing their annual statement of operations (STOP). Furthermore, the Fair did not properly capitalize and depreciate fixed assets as required by generally accepted accounting principles (GAAP) and the California Department of Food and Agriculture (CDFA) Fixed Asset Policy and Procedure Manual. Our office noted the Fair did not properly record two projects (paving in the livestock area and a sidewalk between the commercial building and concession area) at their full cost. Based on the California Construction Authority (CCA) closed project reports, the Fair understated Account #194, Leasehold Improvements, and its overall net resources by \$16,175. Accordingly, the related Account #194.1, Accumulated Depreciation, was understated by \$3,234.

Recommendation

- 1. The Fair should make the necessary correcting journal entries to ensure that Account #194, Leasehold Improvements, is correctly stated in the general ledger. In the future, the Fair should improve its accounting of capital project costs by reconciling amounts capitalized for projects with CCA's closed project status reports prior to closing its accounting records and completing its year-ending financial reports.*

TICKETS PROVIDED BY AGENCY REPORT

The Fair did not comply with California Code of Regulations (CCR) Section 18944.1 as updated by the California Fair Political Practice Commission (FPPC) to complete and post on the Fair's website FPPC Form 802, Tickets Provided by Agency Report. This form was developed by FPPC and available as of February 2009, in order to disclose the distribution of tickets to or at the request of Fair Board members. Form 802 requires the Fair Board member to state whether the distribution is income to the member or describe the public purpose for which the member received the tickets or passes.

Recommendation

- 2. The Fair should follow FPPC requirements and complete and post Form 802 for all free tickets issued to members of the Board of Directors.*

NON-REPORTABLE CONDITIONS

ADMISSION RECEIPT AND CHANGE FUNDS

The Fair augmented the admission and ATM change funds with \$9,000 from admission receipts during the fair. State Administrative Manual (SAM) Section 8032.4, Coin and Currency, prohibits this practice by State Agencies. According to Section 8032.4, “agencies will not disburse or withhold receipts for the purposes of establishing or augmenting an over-the-counter change fund. Furthermore agencies will also not use receipts to be deposited to cash checks.” By depositing the funds intact, the risk of temporary borrowing or other kiting schemes of any kind are reduced.

Recommendation

The Fair should review SAM Section 8032.4 and deposit all receipts in tact. If one of the various change funds requires an increase the fair should use a fair check to increase the fund.

CREDIT CARD POLICIES

The Fair does not have written procedures for the issuance and use of the credits cards established in the Fair’s name for use by Fair employees. According to the Accounting Procedures Manual (APM) section 15.42, “fairs must design written procedures and internal controls and obtain the approval of the Board.” Among other requirements, the purpose, justification, limitations, employee authorization, card limits, and documentation requirements must be covered by the policies and procedures. Additionally, every card must be authorized by the Board. A complete listing of the requirements is listed in APM section 15.42.

Recommendation

The Fair should follow the APM and establish written procedures for the issuance of and use by fair employees.

SPONSORSHIP POLICIES AND PROCEDURES

The Fair did not notify the Division of Fairs and Expositions (F&E) by forwarding descriptions for two multi-year sponsorship agreements for review prior to entering into the agreements. Although the DAA’s sponsorship agreements are not subject to F&E approval, California Food and Agriculture Code 4051.1 (b) does require F&E review before the fair has entered into the agreement on sponsorship agreements that exceed \$100,000 in value, have a term of greater than two (2) years, or contemplate building a permanent structure on the property.

Recommendation

The Fair's should comply with California Food and Agriculture Code 4051.1 (b) and send all required sponsorship agreements to F&E with sufficient lead time for review.

DELEGATED PURCHASING AUTHORITY

The Fair does not utilize the required Standard 65 purchase order document when making purchases. The Fair uses internal purchase orders when making purchases. CDFA observed no evidence that the Department of General Services (DGS) Procurement Division's Forms Coordinator has approved the Fair's internal purchase order form.

Recommendation

The Fair should obtain approval from the DGS Procurement Division's Forms Coordinator to use internal purchase order forms or begin using Std 65s for all opportunity purchases.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



PROMOTING EXCELLENCE IN AGRICULTURE
AWARENESS AND EDUCATION.
STATE OF CALIFORNIA
10TH DISTRICT AGRICULTURAL
ASSOCIATION

JALENE FORBIS, PRESIDENT
JUDH HANNA, VICE PRESIDENT

1712 FAIRLANE ROAD
YREKA, CA 96097

OFFICE: 530-842-2767
FAX: 530-842-4724

www.sisqfair.com

June 4, 2010

Ron Shackelford, Chief – Audit Office
State of California
Department of Food & Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

RE: Management Report #10-008
Reportable & Non-Reportable Conditions

Please accept this letter as a response to our preliminary draft of the management report for the year ending December 31, 2009.

REPORTABLE CONDITIONS:

Accounting for Fixed Assets

- The Fair should make the necessary correcting journal entries to ensure that Account #194, Leasehold Improvements, is correctly stated in the general ledger. In the future, the Fair should improve its accounting of capital project costs by reconciling amounts capitalized for projects with CCA's closed project status reports prior to closing its accounting records and completing its year-ending financial reports.*

The Fair will request at yearend the project listing from CCA, review the books accordingly and make any necessary adjustments. The Fair has been in contact with the audit office to confirm that the spreadsheet they began which matches our current one. A log will be completed by the Fair for any activity during the calendar year 2010 to assist with auditing.

Tickets provided by Agency Report

- The Fair should follow FPFC requirements and complete and post Form 802 for all free tickets issued to members of the Board of Directors.*

The Fair was not aware of the Form 802 until the audit in March 2010. A copy of the form was received at that time as well as notification from the Division of Fairs and Expositions instructing fairs to complete this process.

NON-REPORTABLE CONDITIONS:

Admission Receipt and Change Funds

- The Fair should review SAM Section 8032.4 and deposit all receipts intact. If one of the various change funds requires an increase the fair should use a fair check to increase the fund.*

The Fair will increase both change funds for admissions and the ATM during fairtime so this situation does not occur again.

Credit Card Policies

- 1. The Fair should follow the APM and establish written procedures for the issuance of and use by fair employees.*

The Fair had overlooked this requirement when reviewing the Account Procedures Manual (APM). The board of directors adopted at the May 2010 meeting a written policy on which staff are authorized to obtain credit cards on behalf of the fair and the dollar limits.

Sponsorship Policies and Procedures

- 1. The Fair should comply with California Food and Agriculture Code 4051.1 (b) and send all required sponsorship agreements to F&E with sufficient lead time for review.*

The Fair has talked with F&E regarding the information that is needed and any future multi-year sponsorship contract(s) will be forwarded to them for review.

Delegated Purchasing Authority

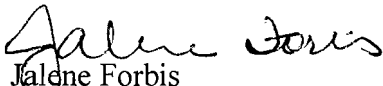
- 1. The Fair should obtain approval from the DGS Procurement Division's Forms Coordinator to use internal purchase order forms or begin using Std 65s for all opportunity purchases.*

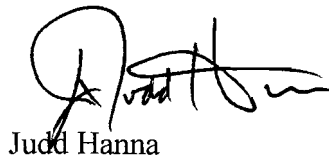
The Fair has been using the Expenditure Request form for several years for all purchases but continuing to complete the Std 65 on delegated purchases. The Fair will continue to use the Expenditure Request for to obtain approval and then complete the Std 65 to comply with the purchasing requirements.

Overall we are pleased with this audit report. Our staff does an excellent job of taking care of the state's business and we are proud of our high standing in the network of California fairs when it comes to our organizational and accounting skills.

Should you have any questions or problems with anything stated in this letter please contact the fair office at 530-842-2767.

Sincerely,


Jalene Forbis
Board President


Judd Hanna
Board Vice President

cc: Division of Fairs and Expositions

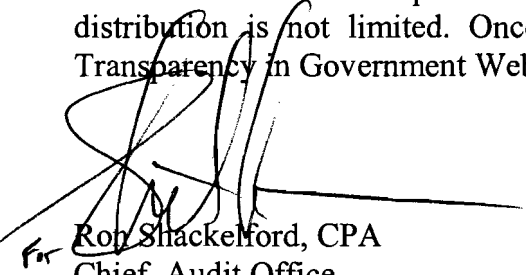
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 10th DAA, Siskiyou Golden Fair, for its review and response. We have reviewed the response and it satisfactorily addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between March 8, 2010 and March 19, 2010. My staff met with management on March 19, 2010 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited. Once finalized, this report will be posted to the Reporting Transparency in Government Website as required by Executive Order S-20-09.



For Ron Shackelford, CPA
Chief, Audit Office

March 19, 2010

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 10th DAA Board of Directors
1	Chief Executive Officer, 10th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #10-008
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008

10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#10-008

10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Jalene Forbis, President
Board of Directors
10th DAA, Siskiyou Golden Fair
1712 Fairlane Rd.
Yreka, California 96097

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 10th District Agricultural Association (DAA), Siskiyou Golden Fair, Yreka, California, as of December 31, 2009 and 2008, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 10th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

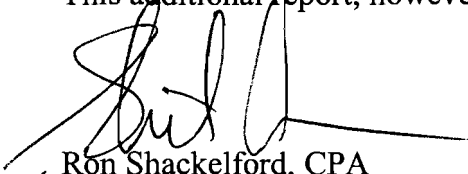
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 10th DAA, Siskiyou Golden Fair, as of December 31, 2009 and 2008, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 10th DAA, Siskiyou Golden Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #10-008, on the 10th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 10th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', is written over a horizontal line.

Ron Shackelford, CPA
Chief, Audit Office

March 19, 2010

**10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION
As of December 31, 2009 and 2008

	<u>Account Number</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Cash in Bank	111 - 117	\$ 726,167	\$ 541,527
Accounts Receivable, Net	131	10,578	9,347
Deferred Charges	143	3,641	4,628
Construction In Progress	190	-	7,429
Equipment, Net	193	13,168	9,182
Leasehold Improvement, Net	194	929,854	929,866
TOTAL ASSETS		<u>1,683,408</u>	<u>1,501,979</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable and Other Liabilities	211-227	8,787	6,212
Deferred Income	228	181,255	9,146
Security Deposits	241	6,667	3,650
Compensated Absences Liability	245	25,432	30,409
Total Liabilities		<u>222,141</u>	<u>49,417</u>
Net Resources			
Net Resources - Operations	291	518,245	506,085
Net Resources - Investment in Capital Assets	291.1	943,022	946,477
Total Net Resources Available		<u>1,461,267</u>	<u>1,452,562</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,683,408</u>	<u>\$ 1,501,979</u>

**10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
For the Years Ended December 31, 2009 and 2008**

	<u>Account Number</u>	<u>2009</u>	<u>2008</u>
REVENUE			
State Apportionment and Project Reimbursement	312	\$ 150,000	\$ 150,000
Capital Project Reimbursement	319	52,602	62,628
Other Revenue	340	30,000	64,838
Admissions Revenue	410	100,590	108,315
Commercial Space Revenue	415	38,860	37,582
Carnival Revenue	421	68,985	66,911
Concessions Revenue	422	82,410	84,429
Exhibits Revenue	430	7,996	8,571
Horse Show	440	3,592	3,682
Attractions - Fairtime	460	81,843	82,984
Miscellaneous Fair Revenue	470	59,460	63,653
Junior Livestock Auction	476	28,501	29,773
Non-Fair Revenue	480	136,217	112,213
Prior Year Adjustments - Revenue	490	16,446	97
Other Operating Revenue	495	9,345	34,123
Total Revenue		<u>866,847</u>	<u>909,799</u>
EXPENSES			
Administration	500	261,483	261,267
Maintenance and Operations	520	225,859	202,366
Publicity	540	22,780	19,634
Attendance Operations	560	42,950	38,157
Miscellaneous Fair	570	19,730	5,969
Junior Livestock Auction	576	19,680	33,462
Premiums	580	24,427	23,370
Exhibits	630	16,937	16,281
Horse Show	640	9,630	10,170
Fair Entertainment Expense	660	126,778	135,045
Prior Year Adjustments - Expenses	800	3,422	(19,161)
Cash Over/Short	850	11	(586)
Depreciation Expense	900	84,455	82,318
Other Capital Expenditures, Reimbursable	940	-	47,321
Total Expenses		<u>858,142</u>	<u>855,613</u>
RESOURCES			
Net Change - Income / (Loss)		8,705	54,186
Resources Available, January 1		1,452,562	1,398,376
Resources Available, December 31		<u>\$ 1,461,267</u>	<u>\$ 1,452,562</u>

**10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 8,705	\$ 54,186
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
Non-Cash Charges (Credits) to Net Income		
Depreciation and Amortization	84,455	82,318
Loss on disposal of asset		
(Increase) Decrease In Current Assets		
(Increase) Decrease in Accounts Receivable	(1,231)	22,420
(Increase) Decrease in Deferred Charges	987	(173)
Increase (Decrease) in Current Liabilities		
Increase (Decrease) in Deferred Income	172,109	(14,594)
Increase (Decrease) in Accounts Payable& Other Liabilities	2,576	1,456
Increase (Decrease) in Compensated Absence Liability	(4,977)	3,977
Increase (Decrease) in Guaranteed Deposits	3,017	3,650
Total Adjustments	<u>256,936</u>	<u>99,054</u>
Net Cash Provided (Used) by Operating Activities	<u>265,641</u>	<u>153,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	7,429	(1,382)
(Increase) Decrease in Leasehold Improvements	(74,274)	(114,083)
(Increase) Decrease in Equipment	(14,155)	-
Net Cash Provided (Used) by Investing Activities	<u>(81,000)</u>	<u>(115,465)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	-	-
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	184,640	37,775
Cash at Beginning of Year	541,527	503,752
CASH AT END OF YEAR	<u><u>\$ 726,167</u></u>	<u><u>\$ 541,527</u></u>

**10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 10th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Siskiyou Golden Fair each year in Yreka, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned.

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and, therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Therefore, the District considers all pooled government funds with the LAIF to be cash equivalents.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over from 5 to 30 years, and purchases of equipment are depreciated over five years. Capitalized infrastructure assets, such as drainage systems and paving, may be depreciated over 20 to 40 years. Costs of repair and maintenance are

expensed as incurred by the DAA. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of related interest income in the case of tax-exempt debt. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

The Fair periodically evaluates whether events or circumstances have occurred that may have resulted in an impairment of its property and equipment. No such impairment occurred in the years ended December 31, 2009 or 2008.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, state and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 **NEW ACCOUNTING STANDARDS**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2008. The adoption of this statement did not have a material impact on the financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, (“GASB Statement No. 48”). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues

should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2008, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. The adoption of this statement did not have a material effect on the financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. The adoption of this statement did not have a material effect on the financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such

as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the financial statements.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* (“GASB Statement No. 52”). GASB Statement No. 52 is effective for periods beginning after June 15, 2008, and establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Management does not believe that the implementation of this statement will have a material effect on the District’s financial statements.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (“GASB Statement No. 53”). GASB Statement No. 53 is effective for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Management does not believe that implementation of this statement will have a material effect on the District’s financial statements.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB Statement No. 54”). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. Management has not determined the effect of GASB Statement No. 54 on the financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2009</u>	<u>2008</u>
Petty Cash	\$ 100	\$ 100
Cash in Bank – Operating	37,611	15,841
Cash in Bank – Savings	61,950	23,836
Cash in Bank – Certificate of Deposit	163,059	159,549
Cash in Bank – LAIF	<u>463,447</u>	<u>342,201</u>
 Total Cash and Cash Equivalents	 <u>\$ 726,167</u>	 <u>\$ 541,527</u>

NOTE 4 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2009</u>	<u>2008</u>
Accounts Receivable	\$ 10,578	\$ 9,347
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
 Accounts Receivable - Net	 <u>\$ 10,578</u>	 <u>\$ 9,347</u>

NOTE 5 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Leasehold Improvements	\$ 3,107,283	\$ 2,966,957
Less: Accumulated Depreciation	<u>(2,177,429)</u>	<u>(2,037,091)</u>
Leasehold Improvements - Net	<u>\$ 929,854</u>	<u>\$ 929,866</u>
 Equipment	 \$ 354,461	 \$ 348,406
Less: Accumulated Depreciation	<u>(341,293)</u>	<u>(339,223)</u>
Equipment - Net	<u>\$ 13,168</u>	<u>\$ 9,183</u>

NOTE 6 RETIREMENT PLANS

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are

actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**10TH DISTRICT AGRICULTURAL ASSOCIATION
SISKIYOU GOLDEN FAIR
YREKA, CALIFORNIA**

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